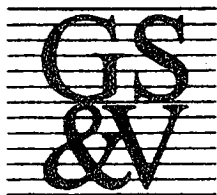


TOWN OF ELSMERE
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Elsmere
11 Poplar Avenue, Suite 2
Elsmere, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Elsmere, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2008. The Town of Elsmere's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Elsmere's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2008 and detail any instances of noncompliance.

The Town of Elsmere received municipal grant funds under the following programs for the year ended June 30, 2008:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 08-1 During completion of the Town of Elsmere's program checklist for the Municipal Street Aid grant, it was noted that the annual report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. An expenditure in the amount of \$971.41 to reimburse the Town's general fund for overtime associated with snow plowing was reported as an expenditure on the June 30, 2007 Municipal Street Aid Annual report, but the actual check was not issued until August 21, 2007, consequently the beginning balance of the annual report was understated by \$971.41. Since the expenditure was reported on the June 30, 2007 Municipal Street Aid Annual report, it was not included as an expenditure on the current year's report resulting in an understatement of current year expenditures in the amount of \$971.41. Failure to comply with the provisions of the Delaware Code relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should ensure that the annual report is reviewed for accuracy and completeness prior to submitting to the office of the State Treasurer.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town does not agree with the finding, or with the statement that the report was not accurately prepared or reviewed for the year ended June 30, 2008. The referenced transaction was properly accrued at June 30, 2007, and was properly reported as an expense of the year ended June 30, 2007, the year in which it was incurred, and reported. It was a timing issue that was fully disclosed in the reconciliation between book and bank that was part of the June 30, 2007 Annual Report.

The year ended June 30, 2008 was properly, and accurately reported since the transaction was a prior year transaction, was properly reported in the year in which it occurred, and should not affect the current year reporting activity.

The balance at June 30, 2008 was properly stated, was accurate, as your audit has shown. The balance at June 30, 2008, is apparently not an item for consideration here, since the focus seems to be on the June 30, 2007 balance and the reporting, which appears to be outside the scope of the engagement. The Town believes that the treatment so presented was a proper accounting treatment of the expense, and that the handling of the expense, as a timing adjustment, and the reporting was the correct accounting treatment in both years.

The treatment outlined does not constitute a material misstatement of the operations between the years, when taken as a whole. The treatment was shown in the reconciliation between the books and the bank statement attached to the June 30, 2007 report, and was fully and completely disclosed. The reports filed for both years were accurate, and complete, and did reflect the accurate results of operations for both years.

While the Town disagrees with the finding, we will ensure that future adjustments to the bank balance reflect only true outstanding items as of the date of the bank statement.

Accountant's Comments

Procedures were performed within the scope of the engagement. The July 1, 2007 balance on the financial report is within the scope.

The Town's reference to an audit and a material misstatement do not apply. An audit was not performed; rather an agreed upon procedures engagement was performed. Material misstatements and comments regarding "taken as a whole" is language utilized for financial statement audits.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 05-1 During completion of the Town of Elsmere's program checklist for the municipal street aid grant, it was noted that the Town submitted the Municipal Street Aid annual report to the State over two months late. According to 30 Del. C. §5165(b)(2), the municipality shall submit the annual report on or before October 1st. Noncompliance with report deadlines could jeopardize the grant award to the Town.

CURRENT STATUS The Municipal Street Aid annual report was filed timely.

FINDING NO. 05-2 During completion of the Town of Elsmere's program checklist for the Municipal Street Aid grant, it was noted that the annual report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning balance of the annual report was overstated by \$10,460.83, total available funds were understated by \$224.75, other income was understated by \$12,438.81, total available funds were understated by \$2,202.73, total expenditures were understated by \$3,952.75, and ending balance was overstated by \$1,750.02 as shown in the report. The failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS See finding 08-1.

FINDING NO. 05-3 During the completion of the Town of Elsmere's program checklist for the Municipal Street Aid grant, it was noted that the Town paid an invoice more than 30 days after receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. Late fee charges of \$5.44 were incurred by the Town due to the late payment which is not an allowable expenditure from Municipal Street Aid funds ([30 Del. C. §5165(a)(2)] and "Guidelines for Municipal Street Aid Funding"). The Town subsequently reimbursed the Municipal Street Aid account on December 30, 2005 for this expenditure.

CURRENT YEAR STATUS All payments reviewed in the current year were paid timely.

FINDING NO. 05-4 During completion of the Town of Elsmere's program checklist for the Municipal Street Aid grant, it was noted that the Town used Municipal Street Aid funds to pay \$11,524.33 for street improvements that were funded by another state grant program which is not an allowable expenditure [30 Del. C. §5165(b)(2)]. The Town subsequently reimbursed the Municipal Street Aid account for \$11,524.33 on December 30, 2005.

CURRENT YEAR STATUS No expenditures reviewed in the current year were for charges that were funded by any other grant program.

FINDING NO 05-5 During completion of the Town of Elsmere's program checklist for the police pension grant, it was noted that the Town did not submit to the State Board of Pension trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan, as required by the Delaware Code [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

CURRENT YEAR STATUS Since the Town of Elsmere does not participate in the proceeds of the insurance tax as outlined in 18 Del. C. §708(c)(2) they were not required to file the listing for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Elsmere's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
Vincellette, CPA's*

Wilmington, Delaware
January 5, 2009